

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐  
(highlight changes)

APPLICATION FOR PERMIT TO DRILL			5. MINERAL LEASE NO: UTU-81161	6. SURFACE: Federal
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>			7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: Marion Energy Inc. (N2740)			9. WELL NAME and NUMBER: Kenilworth Wash 18-1	
3. ADDRESS OF OPERATOR: 119 S. Tennessee #200 CITY McKinney STATE TX ZIP 75069			10. FIELD AND POOL, OR WILDCAT: <del>Hopewell</del> Undesignated	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 651.65 ft FSL 855 ft FEL SE/4 Section 18 13S-10E AT PROPOSED PRODUCING ZONE: 513990 X 43931624 39.640071 -110.836842			11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESE 18 13S 10E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approximately 1 mile East of Kenilworth, Utah			12. COUNTY: Carbon	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 651.65 ft to south	16. NUMBER OF ACRES IN LEASE: 520	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40		
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) 25ft from directional well on same pad	19. PROPOSED DEPTH: 4,285	20. BOND DESCRIPTION: See Attached Bond Document UTB 000179		
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 6028.0 GR	22. APPROXIMATE DATE WORK WILL START: 8/1/2007	23. ESTIMATED DURATION: 30 days		

24. PROPOSED CASING AND CEMENTING PROGRAM							
SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12 1/4"	9 5/8"	J-55	36.0	500	Premium G,	194 sacks 1.41cuft/sk	14.20 ppg
8 1/2"	7"	J-55	23.0	3,716	Lead: Prem. Lite	268 sacks 3.82 cu. ft/sk	11.0 ppg
					Tail: 50/50 Poz	157 sacks 1.41cuft/sk	14.20 ppg
6 1/4"	5 1/2"	J-55	17.0	4,285	50/50 Poz	50 sx 1.41cuft/sk	14.20 ppg

25. ATTACHMENTS	
VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:	
<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Scott Jacoby TITLE Landman  
SIGNATURE Scott Jacoby DATE 1-24-2008

(This space for State use only)

Approved by the  
Utah Division of  
Oil, Gas and Mining

API NUMBER ASSIGNED: 43007-31355

APPROVAL:

Date: 02-11-08

(See Instructions on Reverse Side)

By: [Signature]

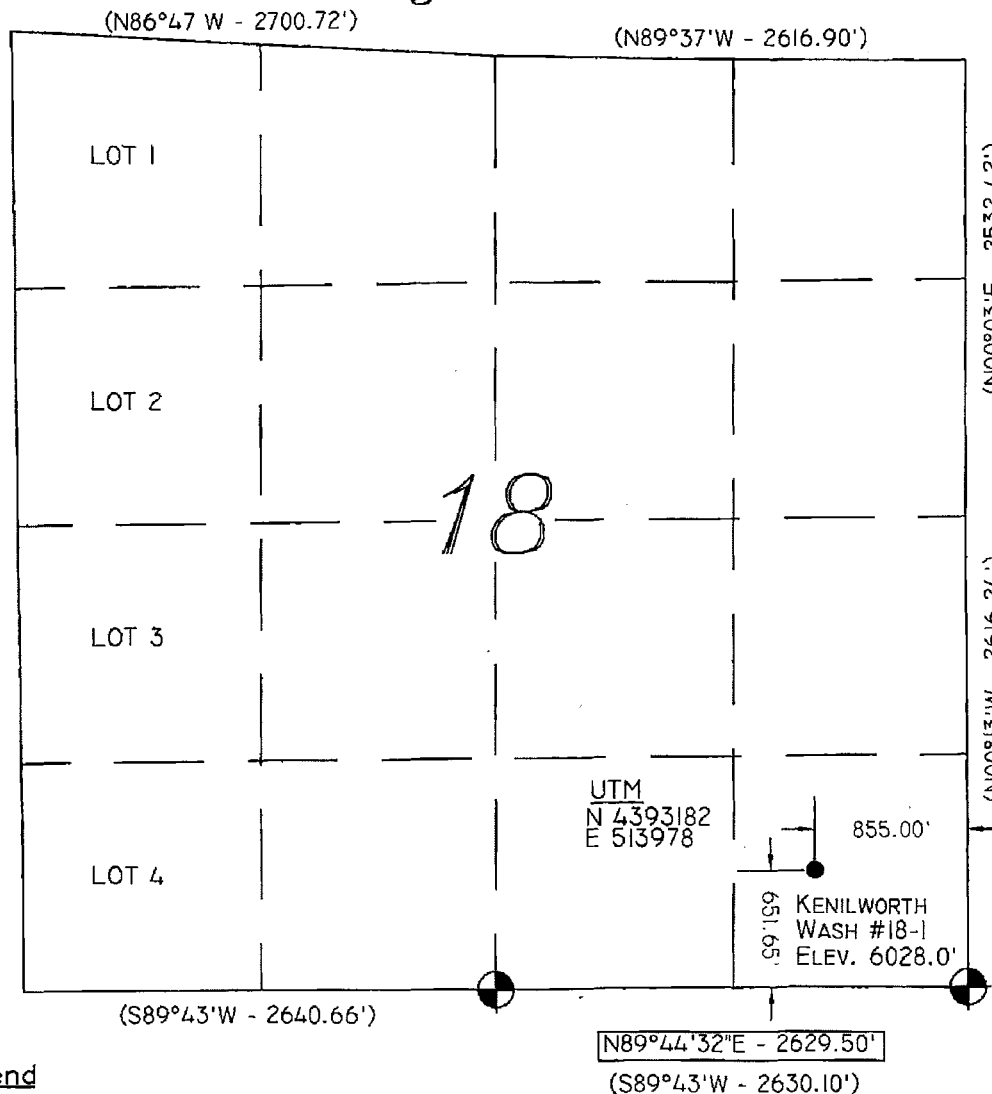
RECEIVED

JAN 25 2008

DIV. OF OIL, GAS & MINING

Township 13 South  
(N00°31'W - 5348.64')

# Range 10 East



## Legend

- Drill Hole Location
- ⊗ Metal Cap (Found)
- Brass Cap (Searched for, but not found)
- △ Calculated Corner
- ( ) GLO
- GPS Measured

## NOTES:

1. UTM and Latitude / Longitude Coordinates are derived using a GPS Pathfinder and are shown in NAD 27 Datum.

LAT / LONG  
39°41'24.894"N  
110°50'13.144"W

## Location:

The well location was determined using a Trimble 5700 GPS survey grade unit.

## Basis of Bearing:

The Basis of Bearing is GPS Measured.

## GLO Bearing:

The Bearings indicated are per the recorded plat obtained from the U.S. Land Office.

## Basis of Elevation:

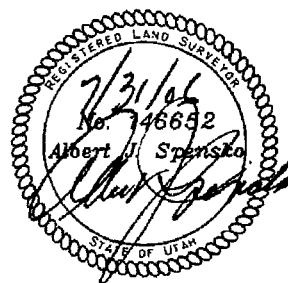
Basis of Elevation of 6561' being at the Southeast Section Corner of Section 17, Township 13 South, Range 10 East, Salt Lake Base and Meridian, as shown on the Helper Quadrangle 7.5 minute series map.

## Description of Location:

Proposed Drill Hole located in the SE/4 SE/4 of Section 18, T13S, R10E, S.L.B.&M., being 651.65' North and 855.00' West from the Southeast Section Corner of Section 18, T13S, R10E, Salt Lake Base & Meridian.

## Surveyor's Certificate:

I, Albert J. Spensko, a Registered Professional Land Surveyor, holding Certificate 146652 State of Utah, do hereby certify that the information on this drawing is a true and accurate survey based on data of record and was conducted under my personal direction and supervision as shown hereon.



## TALON RESOURCES, INC.

195 North 100 West P.O. Box 1230  
Huntington, Utah 84528  
Phone (435)687-5310 Fax (435)687-5311  
E-Mail talon@stv.net

## Marion Energy Inc.

KENILWORTH WASH #18-1  
Section 18, T13S, R10E, S.L.B.&M.  
Carbon County, Utah

Drawn By N. BUTKOVICH	Checked By L.W.J./A.J.S.
Drawing No. A-1	Date: 7/31/06
	Scale: 1" = 1000'
Sheet 1 of 4	Job No. 2538-A

## GRAPHIC SCALE

0 500' 1000'  
( IN FEET )  
1 inch = 1000 ft.

Surface Use Plan  
Mid-Power Resource Corporation  
**Kenilworth Wash 18-1**

Thirteen Point Surface Use Plan

1. Existing Roads

- a. The proposed well site is located approximately 1 miles east of Helper, Utah and approximately 2 miles west of Kenilworth, Utah.
- b. Directions to the location from Kenilworth, Utah are as follows:  
  
Head west out of the town of Kenilworth on and follow the Jeep Trail along the Old Rail Road Grade towards Helper.
- c. For location of access roads see Maps A & B.
- d. Top map A is the vicinity map showing the access route from Kenilworth , Utah.
- e. Topo map B shows the proposed access road to each well. It also shows existing roads in the immediate area
- f. All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.
- g. Existing roads and newly constructed roads on surface under the jurisdiction of any Surface Managing Agency shall be maintained in accordance with the standards of the SMA.

2. Planned Access Roads

- a. The access roads to this location will be using an existing jeep trail up the along the Old Railroad Grade.
- b. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

3. Location of Existing Wells Within a 1-Mile Radius of the Proposed Location

- a. Water wells – none
- b. Injection wells – none
- c. Producing wells – Please see topo location map L-1
- d. Drilling wells – Old Railroad Grade 17-1, Ballpark Canyon 17-2,
- e. Shut-in wells –None
- f. For reference please see topo map B

4. Location of Tank Batteries and Production Facilities

- a. All permanent structures (onsite for six months or longer) constructed or installed (including pump jacks) will be painted a neutral color to blend with the surrounding environment. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded.
- b. If storage facilities/tank batteries are constructed on this lease, the facility/battery or the wellpad shall be surrounded by a containment dike or sufficient capacity to contain at a minimum, the entire content of the largest tank within the facility/battery, unless more stringent protective requirements are deemed necessary by the authorized officer.
- c. All loading lines will be placed inside the berm surrounding the tank battery
- d. Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flowline will be buried or anchored down from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced. All buried pipelines shall be covered to a depth of 3ft except at road crossings where they shall be covered to a depth of 4ft.

- e. The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three months on new meter installations and at least quarterly thereafter. The AO will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the Vernal District Office. All meter measurement facilities will conform with Onshore Oil and Gas Order No. 4 for liquid hydrocarbons and Onshore Oil and Gas Order No. 5 for natural gas measurement.
- f. Any necessary pits will be properly fenced to prevent any wildlife entry.
- g. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to.
- h. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic.
- i. The road will be maintained in a safe useable condition.
- j. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.
- k. The area used to contain the proposed production facilities will be built using native materials. If these materials are not acceptable, then other arrangements will be made to acquire them from private sources. These facilities will be constructed using bulldozers, graders, and workman crews to construct and place the proposed facilities.

5. Location and Water Supply

- a. Any water to be used for the drilling of this well will be from the Price River Water Improvement District (an adjudicated industrial water source) and transported by a local trucking company (Nielson Construction).
- b. No water wells are to be drilled.

6. Source of Construction Material

- a. Surface and subsoil materials in the immediate area will be utilized.
- b. No construction materials are needed for drilling operations. In the event of production, the small amount of gravel needed for facilities will be hauled in by truck from a local gravel pit over existing access roads in the area. No

special access other than for drilling operations and pipeline construction is needed.

- c. The use of materials under BLM jurisdiction will conform with 43 CFR 3610.2.3. Construction material will not be located on lease.
- d. No construction materials will be removed from Federal land.

7. Methods of Handling Waste Disposal

- a. The reserve pit will be constructed so as not to leak, break, or allow discharge. The reserve pit will be lined with a minimum 10mil plastic liner.
- b. The reserve pit will be constructed of sufficient size and capacity for the necessary fluids for drilling and to contain any runoff from the drill site. Pits will not be constructed within intermittent or perennial stream channels.
- c. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. Garbage and trash will be collected in a trash cage and its contents hauled to a sanitary landfill. All wastes caused by the construction activities shall be promptly removed and disposed of in a sanitary landfill or as directed by the company representative.
- d. The reserve pit will be constructed in undisturbed material and below the natural ground level.
- e. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling operation and the pit will be fenced during drilling and completion operations.
- e. Burning will not be allowed. All trash will be contained in a trash cage and its contents removed at the end of drilling operations and hauled to an approved disposal sight.
- f. After first production, produced waste water will be confined to a unlined pit or storage tank for a period not to exceed ninety (90) days. During the 90-day period, in accordance with Onshore Order No. 7, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted for the AO's approval. Failure to file an application within the time allowed will be considered an incident of noncompliance.
- g. Drill cuttings are to be contained and buried in the reserve pit.
- h. Any salts and/or chemicals which are an integral part of the drilling system will be disposed of in the same manner as the drilling fluid.

- i. Sewage will be placed in a portable chemical toilet or holding tank and disposed of in accordance with state and county regulations.
- j. The produced fluids (other than water) will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.

## 8 .Ancillary Facilities

There are no airstrips, camps, or other facilities planned during the drilling of the proposed well.

## 9. Well Site Layout

- a. All cut and fill slopes will be such that stability can be maintained for the life of the activity. The upper edges of all cut banks on the access roads and well pads will be rounded. Cut and fill slopes will be constructed as follows:

<u>Height of Slope</u>	<u>Slope</u>
0-5 feet	3:1
6-10 feet	2:1
Over 10 feet	1-1/2:1

- b. All fills will be free from vegetative materials and will be compacted in lifts no greater than 12 inches in thickness to a minimum of 90 percent Proctor dry density sufficient to prevent excessive settlement.
- c. The working surface of the drill site will be surfaced with crushed gravel to a depth sufficient to support anticipated loads throughout the life of the well. Usually a depth of 12 inches of gravel is anticipated.
- d. A diversion ditch having the minimum dimensions of 3 feet horizontal to 1 foot vertical (3:1 ditch), will be constructed around the site to divert surface waters from flowing onto the site. The ditch will be located at the base of the cut slope and around the toe of the fill slopes (see Drawing No. 1 – Construction Requirements of Typical Well Sites). A straw dike will be constructed in the ditch outflow to trap any sediment produced from the raw slopes. A culvert will be necessary where the access road enters the site.
- e. A berm will be constructed around the perimeter of the site to contain all precipitation, spills, and other fluids from leaving the site. The berm will be a minimum of 18 inches high, 12 inches wide at the top, and having 1-1/2:1 side slopes. The site surface will be graded to drain to the reserve pit. The drainage pattern to be constructed will be modified for each site, depending on the site specific conditions.

- f. The reserve pit will be located on the West side of the location.
- g. The stockpiled topsoil (first six inches or maximum available) will be stored along the perimeter of the location as shown on the location platt.
- j. All pits will be fenced to prevent wildlife entry.
- k. The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off the location. Pits will be fenced and maintained until cleanup. Reclamation will be undertaken no later than the fall of the year after all drilling activity has ceased.

#### 10. Plans for Restoration of Surface

##### Dry Hole

- a. Rehabilitation of the entire site will be required and will commence immediately after the drilling is complete. The site will be restored as nearly practical to its original condition. Cut and fill slopes will be reduced and graded to conform to the adjacent terrain.
- b. Drainages will be reestablished and temporary measures will be required to prevent erosion to the site until vegetation is established.
- c. After final grading and before the replacement of topsoil, the entire surface of the site shall be scarified to eliminate slippage surfaces and to promote root penetration. Topsoil will then be spread over the site to achieve an approximate uniform, stable thickness consistent with the established contours.
- d. A temporary fence will be constructed around the site until vegetation is established. The fence will then be removed.
- e. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment.

##### Producing Location

- a. Site reclamation for producing wells will be accomplished for portions of the site not required for the continued operation of the well. All disturbed surface will be treated to prevent erosion and to complement the esthetics of the area. A new site plan will be required encompassing the facilities required for operation and interim reclamation measures.



- b. Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash and junk not required for production.
- c. Immediately upon well completion, any hydrocarbons on the pit shall be removed in accordance with 43 CFR 3162.7-1.
- d. The plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit.
- e. At the end of drilling operations, drilling fluids will be hauled to an approved disposal site. All polluting substances or contaminated materials, such as oil, oil-saturated soil, and gravel, will be buried within a minimum of 2 feet of clean soil as cover or be removed.
- f. Once the reserve pit is dry, the reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.
- g. The cut and fill slopes and all other disturbed areas not needed for the production operation will be topsoiled and re-vegetated. The berm will be removed and the site graded to drain.
- h. The site will be seeded and/or planted as prescribed by the surface owner. This prescription will be determined prior to site construction on a site specific basis. Nutrients and soil amendments will be applied to the redistributed surface soil later as necessary to meet the re-vegetation requirements. Fall seeding will be completed after September, and prior to prolonged ground frost.
- i. Annual or noxious weeds shall be controlled on all disturbed areas. Method of control shall be by approved mechanical method or an Environmental Protection Agency (EPA) registered herbicide. All herbicide application will be in cooperation with Forest Service personnel.

#### 11. Surface Ownership

Access Roads – All roads to the location are located within the area of ownership of State of Utah and the Bureau of Land Management.

Well Pad – The well pad is located on lands owned by the Bureau of Land Management

#### 12. Other Information

- a. A Class III cultural resource inventory will be completed prior to disturbance by a qualified professional archaeologist.
- b. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator to:
  - i. whether the materials appear eligible for the National Register of Historic Places;
  - ii. the mitigation measures the operator will likely have to undertake before the site can be used (assuming the site preservation is not necessary); and
  - iii. a time frame for the AO to complete and expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate. If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that required mitigation has been completed, the operator will then be allowed to resume construction.
- c. Less than 10,000 pounds of any chemical(s) from the EPA's Consolidated list of Chemicals Subject to Reporting Under Title III of the Superfund Amendments and Reauthorization Act (SARA) of 1986, as defined in 40 CFR, would be used, produces, transported, stored, disposed, or associated with the proposed action.
- d. All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

- e. A complete copy of the approved APD shall be on location during construction of the location and drilling activities.
- f. There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.h.
- g. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
- h. This permit will be valid for a period of one year from the date of approval. An extension period may be granted, if requested, prior to the expiration of the original approval period.

13. Lessee's or Operator's Representative and Certification

Permit Matters

Marion Energy Inc.  
Keri Clarke  
119 S. Tennessee Suite 200  
McKinney, TX, 75069  
(972)540-2967

Drilling & Completion Matters

Marion Energy Inc.  
2901 East 20<sup>th</sup> Street  
Farmington, NM, 87402  
Doug Endsley – V P Operations  
(505)564-8005

Certification

I hereby certify that I, or Persons under my direct supervision, have inspected the proposed drill site and access rout; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Marion Energy Inc. and it's contractors and subcontractors in conformity with the plan and the terms and conditions under which it is approved.

This statement is subject to the provisions of 18.U.S.C. 1001 for the filing of a false statement.

1-24-2008  
Date

SM JG  
Name

ONSHORE OIL & GAS ORDER NO. 1  
Approval of Operations on Onshore  
Federal and Indian Oil and Gas Leases  
**Kenilworth Wash 18-1**

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

1. Estimated Tops/Geologic Markers

The estimated tops of important geologic markers are as follows:

<u>Name</u>	<u>MD</u>	<u>Production Phase</u>
Top of Lwr Blue Gate	1880ft	Gas
Top of Ferron	3875ft	Gas
Top of Tunnck	4136ft	
TD	4285ft	

2. Estimated Depth of Oil, Gas Water and Other Mineral Bearing Zones

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

<u>Substance</u>	<u>Formation</u>	<u>Depth</u>
Gas	Ferron	4285'

All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and adequately protected. All oil and gas shows will be tested to determine commercial potential.

All water shows and water-bearing sand will be reported to the BLM in Moab, Utah. Copies of State of Utah form OGC-8-X are acceptable. If noticeable water flows are detected, samples will be submitted to the BLM along with any water analyses conducted.

3. BOP Equipment

Marion Energy Inc's minimum specifications for pressure to control equipment are as follows:

Ram Type: 11" Hydraulic double, 3000 psi w.p.

Ram type preventers and associated equipment shall be tested to approve stack working pressure if isolated by test plug or to 70 percent of internal yield pressure of casing. Pressure shall be maintained for at least 10 minutes or until requirements of test are met, whichever is longer. If a test plug is utilized, no bleed-off pressure is acceptable. For a test not utilizing a test plug, if a decline in pressure of more than 10 percent in 30 minutes occurs, the test shall be considered to have failed. Valve on casing head below test plug shall be open during test of BOP stack.

Annular type preventers (if used) shall be tested to 60 percent of rated working pressure. Pressure shall be maintained at least 10 minutes or until provisions of test are met, whichever is longer.

As a minimum, the above test shall be performed:

- a. when initially installed;
- b. whenever any seal subject to test pressure is broken
- c. following related repairs; and
- d. at 40-day intervals

Valves shall be tested from working pressure side during BOPE tests with all down stream valves open.

When testing the kill line valve(s) the check valve shall be held open or the ball removed.

Annular preventers (if used) shall be functionally operated at least weekly.

Pipe and blind rams shall be activated each trip, however, this function need not be performed more than once a day.

A BOPE pit level drill shall be conducted weekly for each drilling crew.

The BOP and related equipment shall meet the minimum requirements of Onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Pressure tests shall apply to all related well control equipment.

All of the above described tests and/or drills shall be recorded in the drilling log. Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request. Pressure tests shall apply to all related well control equipment.

BOP systems shall be consistent with API RP53. Pressure tests will be conducted before drilling out from under casing strings which have been set and cemented in place. Blowout preventer controls will be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection will be recorded on the daily drilling report. Preventers will be pressure tested before drilling casing cement plugs.

The Price River Resource Area Office shall be notified, at least 24 hours prior to initiating the pressure test, in order to have a BLM representative on location during pressure testing.

- a. The size and rating of the BOP stack is shown on the attached diagram. Although a rig has not been chosen to drill this well, most of the equipment for this depth of hole in the area use a 11", 3000 psi working pressure blowout preventor.
- b. A choke line and a kill line are to be properly installed. The kill line is not to be used as a fill-up line.
- c. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.
- d. Drill string safety valve(s), to fit all tools in the drill string, are to be maintained on the rig floor while drilling operations are in progress.

4. Casing and Cementing Program

- a. The proposed casing and cementing program shall be conducted as approved to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. Determination of casing setting depth shall be based on all relevant factors, including; presence/absence of hydrocarbons; fractured gradients; usable water zones; formation pressures; lost circulation zones; other minerals; or other unusual characteristics. All indications of usable water shall be reported
- b. Casing design shall assume formation pressure gradients of 0.44 to 0.50 psi per foot for exploratory wells (lacking better data).
- c. Casing design shall assume fracture gradients from 0.70 to 1.00 psi per foot for exploratory wells (lacking better data)

- d. Casing collars shall have a minimum clearance of 0.422 inches of all sides in the hole/casing annulus, with recognition that variances can be granted for justified exceptions.
- e. All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.
- f. All casing except the conductor casing, shall be new or reconditioned and tested used casing that meets or exceeds API standards for new casing.
- g. The surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.
- h. All indications of usable water shall be reported to the authorized officer prior to running the next string of casing or before plugging orders are requested, whichever occurs first.
- i. Three centralizers will be run on the bottom three joints of surface casing with a minimum of one centralizer per joint starting with the shoe joint.
- j. Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a suitable preflush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.
- k. All casing strings below the conductor shall be pressured tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.
- m. On all exploratory wells, and on that portion of any well approved for 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Formation at the shoe shall be tested to a minimum of the mud weight equivalent anticipated to control the formation pressure to the next casing depth or at total depth of the well. This test shall be performed before drilling more than 20 feet of new hole.
- n. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Depth</u>	<u>Hole Size</u>	<u>O.D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>New or Used</u>
Surface	0-500'	12 1/4"	9 5/8"	36#	J-55	ST&C	New
Intermed.	0-3716'	8 1/2"	7"	23#	J-55	LT&C	New
Produc.	0-4285'	6 1/4"	5-1/2"	17#	J-55	LT&C	New

- o. Casing design subject to revision based on geologic conditions encountered.



- p. Please refer to DOGM Form 3 for the Cement program associated with this well.
- q. The price River Resource Area Office should be notified, with sufficient lead time, in order to have a BLM representative on location while running all casing strings and cementing.
- r. After cementing but before commencing any test, the casing string shall stand cemented until the cement has reached a compressive strength of at least 500 psi at the shoe. WOC time shall be recorded in the driller's log.
- s. The following reports shall be filed with the District Manager within 30 days after the work is completed.

1. Progress reports, Form 3160-5 (formerly 9-331) "Sundry Notices and Reports on Wells", must include complete information concerning:

- a. Setting of each string of casing, showing the size, grade, weight of casing set, hole size, setting depth, amounts and type of cement used, whether cement circulated or the top of the cement behind the casing, depth of cementing tools used, casing test method and results, and the date work was done. Show the spud date on the first reports submitted.
  - b. Temperature of bond logs must be submitted for each well where the casing cement was not circulated to the surface.
- t. Auxiliary equipment to be used is as follows:
    1. Kelly cock
    2. No bit float is deemed necessary.
    3. A sub with a full opening valve.

## 5. Mud Program

- a. The purpose circulating mediums to be employed in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Wt.</u>	<u>Visc.</u>	<u>F/L</u>	<u>PH</u>
0-TD	Air/Foam	N/A	N/A	N/A	--

There will be sufficient mud on location to control a blowout should one occur.

- b. Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing or completion operations.

#### 6. Evaluation Program

The anticipated type of amount of testing, logging and coring are as follows:

- a. No drill stem tests are anticipated, however, if DST's are run, the following requirements will be adhered to:

Initial opening of drill stem test tools shall be restricted to daylight hours unless specific approval to start during other hours is obtained from the authorized officer. However, DST's may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e. lighting which is adequate for visibility and vapor-proof for safe operations). Packers can be released, but tripping shall not begin before daylight, unless prior approval is obtained from the authorized officer. Closed chamber DSTs may be accomplished day or night.

A DST that flows to the surface with evidence of hydrocarbons shall be either reversed out of the testing string under controlled surface conditions. This would involve provided some means for reverse circulation.

Separation equipment required for the anticipated recovery shall be properly installed before a test starts.

All engines within 100 feet of the wellbore that are required to "run" during the test shall have spark arresters or water cooled exhausts.

- b. The logging program will consist of a DIL- GR-SP-CAL-ML-PE and a Compensated Neutron/Density will be run from surface to 4285'
- c. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted no later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion

operations, will be filed with form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the authorized officer (AO).

- d. The anticipated completion program is as follows:

Perforate Ferron w/ 3-3/8" casing gun @ 6 jspf using 23 gram charges. Break down formation with 2000 gallons of Formic acid. Fracture stimulate formation w/ 25# Cross linked x-Linked Gel and 200,000lbs of 16/30 mesh sand.

1. Anticipated Pressures and H<sub>2</sub>S

- a. The expected bottom hole pressure is 1200 psi. Low pressures are anticipated.
- b. No hydrogen sulfide gas is anticipated.

2. Other Information and Notification Requirements

- a. Should the well be successfully completed for production, the AO will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communications, not later than 5 days following the date on which the well is placed on production.
- b. Production data shall be reported to the MMS pursuant to 30 CFR 216.5 using form MMS/3160.
- c. The data on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which gas is first measured through permanent metering facilities, whichever first occurs.
- d. Pursuant to NTL-4A, lessees or operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. An application must be filed with the District Engineer and approval received, for any venting/flaring of gas beyond the initial 30 day or authorized test period.
- e. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the Authorized Officer. Should gas be vented or flared without approval beyond the

authorized test period, the operator may be directed to shut-in the well until the gas can be captured or the operator shall be required to compensate the lesser for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

- f. A schematic facilities diagram as required by 43 CFR 3162.7-2, 3162.7-3 and 3162.7-4 shall be submitted to the appropriate District Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in 43 CFR 3162.7 and Onshore Order No.3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.
- g. Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5<sup>th</sup> business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109 (3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1(b)(5)(ii).

- h. Drilling will commence on approximately ~~June 1~~ , 2008
- i. It is anticipated that the drilling of this well will take approximately 30 days.
- j. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.
- k. Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revision.
- l. If a replacement rig is contemplated for completion operations, a "Sundry Notice" Form 3160-5 to that effect will be filed, for prior approval of the AO, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig.

- m. Pursuant to Onshore Order No. 7, with the approval of the District Engineer, produced water may be temporarily disposed of into unlined pits for a period of up to 90 days. During the period so authorized, and application for approval of the permanent disposal method, along with the required water analysis and other information must be submitted to the District Engineer.
- n. No well abandonment operations will be commenced without the prior approval of the AO. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the SO> A "Subsequent Report of Abandonment" Form 3160-5, will be filed with the AO within 30 days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the AO or his representative or the appropriate Surface Managing Agency.

Bond No. B001617

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 4A

SURETY BOND

KNOW ALL MEN BY THESE PRESENTS:

That we (operator name) Marion Energy Inc. as Principal,  
and

(surety name) U.S. Specialty Insurance Company as Surety, duly authorized  
and qualified to do business in the State of Utah, are held and firmly bound unto the State of Utah in the sum of:

One Hundred Fifty Thousand and no/100 dollars (\$ \$150,000.00 )  
lawful money of the United States, payable to the Director of the Division of Oil, Gas and Mining, as agent of the State of Utah, for the use and  
benefit of the State of Utah for the faithful payment of which we bind ourselves, our heirs, executors, administrators and successors, jointly and  
severally by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT, WHEREAS the Principal is or will be engaged in the drilling, redrilling, deepening,  
repairing, operating, and plugging and abandonment of a well or wells and restoring the well site or sites in the State of Utah for the purposes of  
oil or gas production and/or the injection and disposal of fluids in connection therewith for the following described land or well:

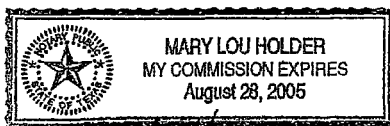
☒ Blanket Bond: To cover all wells drilled in the State of Utah  
  
☐ Individual Bond: Well No: \_\_\_\_\_  
Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_  
County: \_\_\_\_\_, Utah

NOW, THEREFORE, if the above bounden Principal shall comply with all the provisions of the laws of the State of Utah and the rules, orders and  
requirements of the Board of Oil, Gas and Mining of the State of Utah, including, but not limited to the proper plugging and abandonment of wells  
and well site restoration, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

IN TESTIMONY WHEREOF, said Principal has hereunto subscribed its name and has caused this instrument to be signed by its duly authorized  
officers and its corporate or notary seal to be affixed this

31 day of March, 20 05

(Corporate or Notary Seal here)



Attestee: Mary Lou Holder Date: 4/5/05

Marion Energy Inc.

Principal (company name)

By

KERI CLARKE VICE PRESIDENT AND  
Name (print) Title

[Signature]  
Signature

IN TESTIMONY WHEREOF, said Surety has caused this instrument to be signed by its duly authorized officers and its corporate or notary seal  
to be affixed this

31 day of March, 20 05

(Corporate or Notary Seal here)

Attestee: [Signature] Date: 3/31/05

U.S. Specialty Insurance Company

Surety Company (Attach Power of Attorney)

By

Edwin H. Frank, III Attorney-in-Fact  
Name (print) Title

[Signature]  
Signature

13403 Northwest Freeway

Surety Mailing Address

Houston Texas 77040  
City State Zip

**Important Notice Regarding  
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

**YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.**

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# POWER OF ATTORNEY

PA001617

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

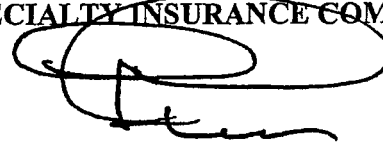
*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY  
By



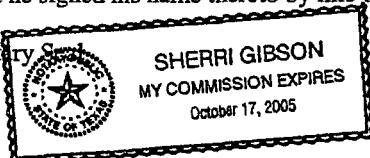
Edward H. Ellis, Jr., Executive Vice President


State of Texas

County of Harris ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



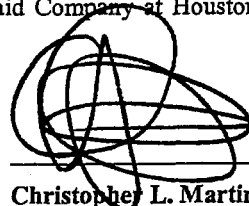
 Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31<sup>st</sup> day of March, 2005.

Corporate Seal



Christopher L. Martin, Secretary



Bond No. B001617R04-05-05

RECEIVED

APR 06 2005

SURETY RIDER

DIV. OF OIL, GAS &amp; MINING

To be attached to and form a part of Bond No. B001617 on behalf of  
Marion Energy Inc., as principal and executed by  
U.S. Specialty Insurance Company, as surety.

Effective date of bond: March 31, 2005Effective date of change: March 31, 2005

In consideration of the mutual agreement herein contained, the principal and  
the surety hereby consent to the following changes:

The penalty amount of the bond has changed from:

\$150,000.00

TO:

\$120,000.00

Nothing herein contained shall vary, alter, or extend any provision or  
condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: April 5, 2005

State of Utah  
Dept. of Natural Resources  
Division of Oil, Gas and Mining  
Name of Obligor

Earlene Russell  
Signature

EARLENE RUSSELL  
ENGINEERING TECHNICIAN, BONDING  
Name and title of person  
executing for Principal

U.S. Specialty Insurance Company  
Name of Surety

W. Russell Brown, Jr.  
Signature

W. Russell Brown, Jr. Attorney-in-fact  
Name and title of person  
executing for Surety

1937

Bond No. B001617R04-05-05

RECEIVED

APR 06 2005

**SURETY RIDER**

DIV. OF OIL, GAS & MINING

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Marion Energy Inc., as principal and executed by  
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SIGNED, SEALED AND DATED THIS: April 5, 2005

State of Utah  
Dept. of Natural Resources  
Division of Oil, Gas and Mining  
Name of Obligee

Earlene Russell  
Signature

EARLENE RUSSELL  
ENGINEERING TECHNICIAN, BONDING  
Name and title of person  
executing for Principal

U.S. Specialty Insurance Company  
Name of Surety

W. Russell Brown, Jr.  
Signature

W. Russell Brown, Jr. Attorney-in-Fact  
Name and title of person  
executing for Surety

# POWER OF ATTORNEY

PA001617

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

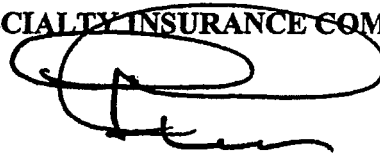
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**

By



**Edward H. Ellis, Jr., Executive Vice President**

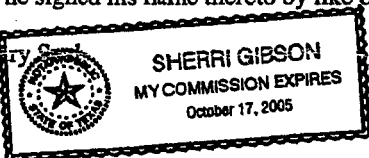
State of Texas


County of Harris

ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



 Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31st day of March, 2005.

Corporate Seal



**Christopher L. Martin, Secretary**

**PERFORMANCE BOND**  
(See instructions on reverse)

DATE BOND EXECUTED (Must be same or later than date of contract)

04/12/06

OMB No.: 9000-0045

Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405

PRINCIPAL (Legal name and business address)

Marion Energy Inc.  
119 South Tennessee, Suite 200  
McKinney, Texas 75069

TYPE OF ORGANIZATION ("X" one)

☐ INDIVIDUAL☐ PARTNERSHIP☐ JOINT VENTURE☒ CORPORATION

STATE OF INCORPORATION

SURETY(IES) (Name(s) and business address(es))

U.S. Specialty Insurance Company  
13403 Northwest Freeway  
Houston, Texas 77040

## PENAL SUM OF BOND

MILLION(S)	THOUSAND(S)	HUNDRED(S)	CENTS
	103	000	00

CONTRACT DATE

09/06/02

CONTRACT NO.

0410-03-13

## OBLIGATION:

We, the Principal and Surety(ies), are firmly bound to the United States of America (hereinafter called the Government) in the above penal sum. For payment of the penal sum, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally. However, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us. For all other purposes, each Surety binds itself, jointly and severally with the Principal, for the payment of the sum shown opposite the name of the Surety. If no limit of liability is indicated, the limit of liability is the full amount of the penal sum.

## CONDITIONS:

The Principal has entered into the contract identified above.

## THEREFORE:

The above obligation is void if the Principal -

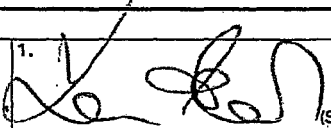
(a)(1) Performs and fulfills all the undertakings, covenants, terms, conditions, and agreements of the contract during the original term of the contract and any extensions thereof that are granted by the Government, with or without notice to the Surety(ies), and during the life of any guaranty required under the contract, and (2) performs and fulfills all the undertakings, covenants, terms conditions, and agreements of any and all duly authorized modifications of the contract that hereafter are made. Notice of those modifications to the Surety(ies) are waived.

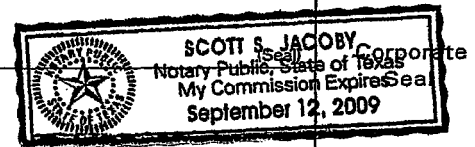
(b) Pays to the Government the full amount of the taxes imposed by the Government, if the said contract is subject to the Miller Act, (40 U.S.C. 270a-270e), which are collected, deducted, or withheld from wages paid by the Principal in carrying out the construction contract with respect to which this bond is furnished.

## WITNESS:

The Principal and Surety(ies) executed this performance bond and affixed their seals on the above date.

## PRINCIPAL


SIGNATURE(S)	1. 	2. (Seal)	3. (Seal)
	NAME(S) & TITLE(S) (Typed)	1. KERI CLARKE VICE PRESIDENT - LAND	2.



## INDIVIDUAL SURETY(IES)

SIGNATURE(S)	1. (Seal)	2. (Seal)
	NAME(S) (Typed)	1. 2.

## CORPORATE SURETY(IES)

SURETY A	NAME & ADDRESS	U.S. Specialty Insurance Company 13403 Northwest Freeway Houston, Texas 77040	STATE OF INC.	Texas	LIABILITY LIMIT	\$ 103,000.00
	SIGNATURE(S)	1. 	2.	Corporate Seal		
	NAME(S) & TITLE(S) (Typed)	1. W. Russell Brown, Jr., Attorney-in-Fact	2.			

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

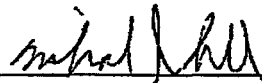
Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY

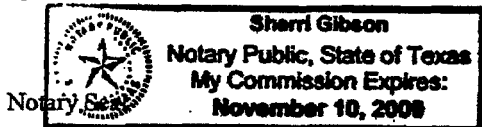
By

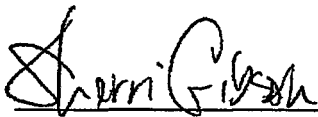
State of Texas

County of Harris ss:

  
Michael J. Schell, President

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

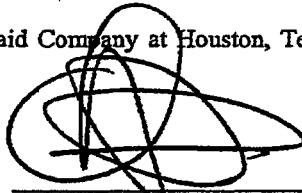


  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 12<sup>th</sup> day of April, 2006.

Corporate Seal

  
Christopher L. Martin, Secretary

Bond No. B002776

**SURETY RIDER**

To be attached to and form a part of Bond No. B002776 on behalf of Marion Energy Inc. as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of bond: 04/12/2006

Effective date of change: 05/31/2006

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The **penalty amount** has increased from:

\$103,000.00

**TO:**

\$128,000.00

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: May 31, 2006

Marion Energy Inc.

Name of Principal

Signature

KERI CLARKE  
VICE PRESIDENT - LAND

Name and title of person  
executing for Principal

U.S. Specialty Insurance Company

Name of Surety

Signature

W. Russell Brown, Jr. Attorney-in-Fact

Name and title of person  
executing for Surety

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, **U. S. SPECIALTY INSURANCE COMPANY** (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

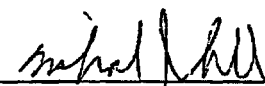
**In Witness Whereof**, **U. S. SPECIALTY INSURANCE COMPANY** has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

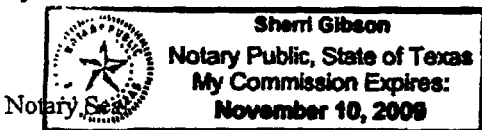
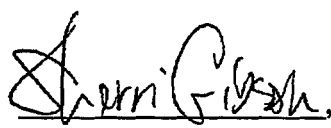
**U. S. SPECIALTY INSURANCE COMPANY**  
By

State of Texas

County of Harris ss:

  
 Michael J. Schell, President


On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.


  
 Sherri Gibson, Notary Public  
 My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31<sup>st</sup> day of May, 2006.

Corporate Seal

  
 Christopher L. Martin, Secretary



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
[www.ut.blm.gov](http://www.ut.blm.gov)

MAY 04 2005

IN REPLY REFER TO:  
3104  
(UT-924)

### DECISION

Principal:	:	
Marion Energy Inc.	:	Bond Amount: \$25,000
119 S. Tennessee, Suite 200	:	
McKinney, TX 75069	:	Bond Type: Statewide
	:	
Surety:	:	Bond Surety No.: B001632
U. S. Specialty Insurance Company	:	
13403 Northwest Freeway	:	BLM Bond No.: UTB000179
Houston, TX 77040	:	

### Statewide Oil and Gas Surety Bond Accepted

On April 12, 2005, this office received a \$25,000 statewide oil and gas bond for the principal named above. The bond has been examined, found satisfactory, and is accepted effective the date of filing.

The bond constitutes coverage of all operations conducted by the principal on Federal leases in Utah. The bond provides coverage for the principal where that principal has interest, and or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there are no outstanding liabilities against the bond or until a satisfactory replacement bond is furnished.

Terry Catlin  
Acting Chief, Branch of  
Fluid Minerals



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Bond Number

B001632

**OIL AND GAS OR GEOTHERMAL LEASE BOND**

Act of February 25, 1920 (30 U.S.C. 181 et seq.)  
Act of August 7, 1947 (30 U.S.C. 351-359)  
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)  
Act of December 24, 1970 (30 U.S.C. 1001-1025)  
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

Lease Serial Number (For Individual Bond Only)

CHECK ONE: ☒ OIL AND GAS ☐ GEOTHERMAL RESOURCES

CHECK ONE:

☒ SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT Marion Energy Inc.

(name)

of 119 S. Tennessee, Suite 200, McKinney, Texas 75069

(address)

as principal, and U.S. Specialty Insurance Company

(name)

of 13403 Northwest Freeway, Houston, Texas 77040

(address)

, as surety,

are held and firmly bound unto the United States of America in the sum of Twenty-five Thousand and no/100

dollars (\$ 25,000.00 ),

lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

☐ PERSONAL BOND

KNOW ALL BY THESE PRESENTS, That \_\_\_\_\_

(name)

of \_\_\_\_\_, as principal, is held and firmly

(address)

bound unto the United States of America in the sum of \_\_\_\_\_

dollars (\$ \_\_\_\_\_ ). lawful money of the United States which sum may be

increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, in order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the amount specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) granting rights and interests in Federal lands, must be paid to the principal. The principal hereby for himself/herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this bond and the instruments granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits to the United States; (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

This bond shall cover all surface disturbing activities related to drilling operations on a Federal leasehold(s) in accordance with authorization(s) granted under the Acts cited above for:

CHECK ONE:

- ☐ **NATIONWIDE BOND** — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s) in the United States including the National Petroleum Reserve in Alaska (NPR-A) when a rider sufficient to bring the amount in conformance with 43 CFR 3134 is provided, and provided a rider is obtained, also coverage of multiple exploration operations
- ☒ **STATEWIDE BOND** — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s), except the NPR-A, and, provided a rider is obtained, also coverage of multiple exploration operations within the single state of Utah
- ☐ **INDIVIDUAL BOND** — Operations conducted by or on behalf of the principal or on the leasehold of the principal on the single lease identified by the serial number above.
- ☐ **NATIONAL PETROLEUM RESERVE IN ALASKA (NPR-A) BOND** — This bond shall cover
- ☐ **NPR-A LEASE BOND** — The terms and conditions of a single lease
- ☐ **NPR-A WIDE BOND** — The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations

(Continued on reverse)

# BOND CONDITIONS

The conditions of the foregoing obligations are such that

1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond, and

2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the principal, shall extend to and include

a. Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and

b. Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s), and

c. Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond, and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond, and

3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding. Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) in which event the assignee(s) shall be considered to be coprincipal(s) on an individual or NPR-A bond as fully and to the same extent as though his/her or their duly, authenticated signatures appeared thereon, and

4. WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding.

a. Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s), and

b. Any transfer(s) either in whole or in part, of any or all of the operating rights and further agrees to remain bound under this bond as to the interests in the operating rights retained by the principal, and

c. Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of lease or operating right to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of oper-

ations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise, and

d. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s); and

5. WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination, expiration, cancellation or relinquishment of any lease(s), whether by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases and obligations covered by the bond, and

6. WHEREAS the principal, as to any lease or part of a lease for land on which he/she is the operator, in consideration of being permitted to furnish this bond in lieu of the lessee(s) or operating rights owner(s), agrees and by these presents does hereby bind himself/herself to fulfill on behalf of each lessee or operating rights owner all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were lessee or operating rights owner, and

7. WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against any responsible party, the payment of rentals or royalties or the performance of any other term or condition of the lease(s) shall not, in any way, release the principal and surety, or either of them from any liability under this bond; and

8. WHEREAS the principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the principal and surety or either of them, without the necessity of joining the lessee(s), and

9. WHEREAS if the principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1701 et seq.) or the Federal Onshore Oil and Gas Leasing Reform Act. This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

10. NOW, THEREFORE If said principal, his/her heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void, otherwise to remain in full force and effect.

Signed this 7th day of April, 2005, in the presence of

## NAMES AND ADDRESSES OF WITNESSES

BTEV (MARION ENERGY)

RC Evers (Marion Energy)

Molly Battenfield (Chesapeake)

Diane E. Carey (E. Carey)

If this bond is executed by a corporation, it must bear the seal of that corporation

Marion Energy Inc.

(Principal)

119 S. Tennessee, Suite 200, McKinney, Texas 75069

(Business Address)

W. Russell Brown, Jr., Attorney-in-Fact (Surety) U.S. Specialty Insurance Company

13403 Northwest Freeway, Houston, Texas 77040

(Business Address)

**Important Notice Regarding  
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

**YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.**

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# POWER OF ATTORNEY

PA001632

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

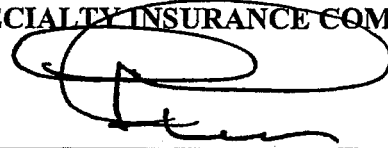
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**

By



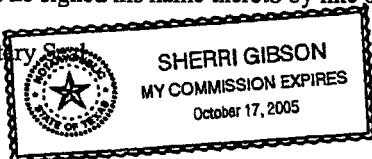
**Edward H. Ellis, Jr., Executive Vice President**


State of Texas

County of Harris ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



, Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 7th day of April, 2005.

Corporate Seal



**Christopher L. Martin, Secretary**

Bond No. B001632

**SURETY RIDER**

To be attached to and form a part of Bond No. B001632 on behalf of **Marion Energy Inc.** as principal and executed by **U.S. Specialty Insurance Company**, as surety.

Effective date of bond: April 7, 2005

Effective date of change: July 24, 2006

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The **Amount of the bond** changed from:

Twenty-five Thousand and no/100 (\$25,000.00)

**TO:**

One Hundred Thirty-five Thousand and no/100 (\$135,000.00)

This rider is being submitted to comply with 43 CFR 3101.1 which states ".... Prior to commencement of surface disturbing activities related to drilling operations, the lessee, operating rights owner, or operator shall submit a personal bond, conditioned upon compliance with all of the terms and conditions of the leasehold covered by the bond."

This rider extends coverage for the sole purpose of the performance of surface reclamation requirements required by the United States Forest Service specific to the following:

**\$100,000 Reclamation**

Two well pads located in the Clear Creek Unit

**T.14S., R7E**

1. Well #11-20, Ridge Runner. NE/4 SW/4 Section 20 14S-7E
2. Well # 13-17, Ridge Runner. SW/4 SW/4 Section 17 14S-7E

**\$10,000 Reclamation**

**T.14S, R7E. .,**

Reclamation of a pipeline associated with this project. Pipeline connects well pads Ridgerunner #11-20 and #13-17 to Questar Gathering line 506-11.

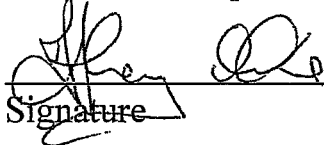
Coverage of lease operations shall continue whether or not the lease subsequently expires, terminated or is cancelled provided, however; that this rider shall not act to increase the actual cumulative or potential liability of the face amount of the bond.

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: 24th day of July, 2006

MAQION ENERGY

Name of Principal

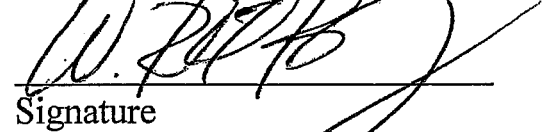
  
Signature

JEFFREY CHARLES CEO

Name and title of person  
executing for Principal

U.S. Specialty Insurance Company

Name of Surety

  
Signature

W. Russell Brown, Jr. Attorney-in-Fact

Name and title of person  
executing for Surety

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

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*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 23<sup>rd</sup> day of June, 2006.

Corporate Seal

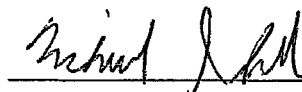
**U. S. SPECIALTY INSURANCE COMPANY**

By

State of Texas

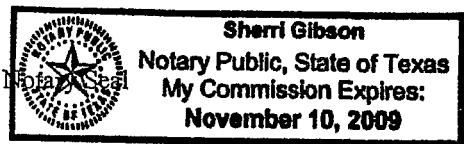
County of Harris

ss:



Michael J. Schell, President

On this 23<sup>rd</sup> day of June, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



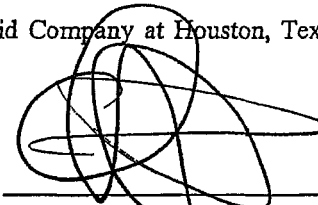

Notary Public

My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 24th day of July, 2006.

Corporate Seal



Christopher L. Martin, Secretary

## Corporate Surety Bond

STATE OF UTAH  
BOND OF LESSEE

KNOW ALL MEN BY THESE PRESENTS, that we Marion Energy Inc. of 119 South Tennessee, Suite 200, McKinney, Texas 75069 as principal and U.S. Specialty Insurance Company as surety are held and firmly bound unto the State of Utah in the sum of Fifteen Thousand and no/100 Dollars (\$15,000.00) lawful money of the United States to be paid to the School & Institutional Trust Lands Administration, as agent for the State of Utah, for the use and benefit of the State of Utah, and of any patentee or purchaser of any portion of the land covered by the hereinafter described lease heretofore sold or which may hereafter be sold with a reservation to the State of Utah, on the surface or of other mineral deposits of any pordon of such lands, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, sublessees, and assignees, jointly and severally by these presents.

Signed with our hands and sealed this 12<sup>th</sup> day of April, 2006.

The condition of the foregoing obligation is such that,

WHEREAS, The State of Utah, as Lessor, issued a(n) \_\_\_\_\_ lease, Lease Number \_\_\_\_\_ and dated \_\_\_\_\_, to \_\_\_\_\_ as lessee (and said lease has been duly assigned under date of \_\_\_\_\_ to \_\_\_\_\_) to drill for, mine, extract, and remove all of the deposits \_\_\_\_\_ in and under the following described lands, to wit:

NOW, THEREFORE, the principal and surety shall be obligated to pay all monies, rentals, royalties, cost of reclamation, damages to the surface and improvements thereon and any other damages, costs, expensed, penalties, interest or liabilities which arise by operation of or in connection with the above described lease(s) accruing to the Lessor and shall fully comply with all other terms and conditions of said lease, the rules, regulations and polices relating thereto of the School & Institutional Trust Lands Administration, the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining as they may now exist or may from time to time be modified or amended. This obligation is in effect even if the principal has conveyed part of its interest to a successor in interest. If the principal fully satisfies the above described obligations, then the surety's obligation to make payment to the State of Utah is void and of no effect, otherwise, it shall remain in full force and effect until released by the School & Institutional Trust Lands Administration.

\_\_\_\_\_  
Witness

Marion Energy Inc. (SEAL)  
Principal

## BONDING COMPANY

Molly Reagan  
Witness Molly Reagan

By: U.S. Specialty Insurance Company  
Attest: W. Russell Brown, Jr., Attorney-in-Fact

Resident Agent: Edwin H. Frank III, 207768

Bonding Address: 13403 Northwest Freeway

Houston, Texas 77040



**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

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**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

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**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

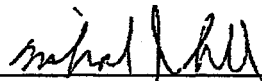
U. S. SPECIALTY INSURANCE COMPANY

By

State of Texas

County of Harris

ss:

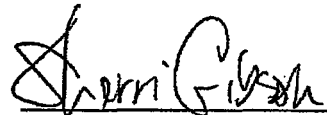


Michael J. Schell, President

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



Notary Seal

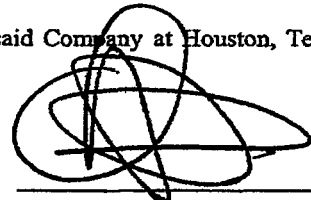


Sherri Gibson, Notary Public  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 12<sup>th</sup> day of April, 2006.

Corporate Seal



Christopher L. Martin, Secretary

Bond No. B002775

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 4A

**SURETY BOND**

**KNOW ALL MEN BY THESE PRESENTS:**

That we (operator name) Marion Energy Inc. as Principal,  
and

(surety name) U.S. Specialty Insurance Company as Surety, duly authorized  
and qualified to do business in the State of Utah, are held and firmly bound unto the State of Utah in the sum of:

On Hundred Eighty-four Thousand One Hundred Eighty and no/100 dollars (\$ \$184,180.00 )  
lawful money of the United States, payable to the Director of the Division of Oil, Gas and Mining, as agent of the State of Utah, for the use and  
benefit of the State of Utah for the faithful payment of which we bind ourselves, our heirs, executors, administrators and successors, jointly and  
severally by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT, WHEREAS the Principal is or will be engaged in the drilling, redrilling, deepening,  
repairing, operating, and plugging and abandonment of a well or wells and restoring the well site or sites in the State of Utah for the purposes of  
oil or gas production and/or the injection and disposal of fluids in connection therewith for the following described land or well:

☒ Blanket Bond: To cover all wells drilled in the State of Utah

☐ Individual Bond: Well No: \_\_\_\_\_  
Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_  
County: \_\_\_\_\_, Utah

NOW, THEREFORE, if the above bounden Principal shall comply with all the provisions of the laws of the State of Utah and the rules, orders and  
requirements of the Board of Oil, Gas and Mining of the State of Utah, including, but not limited to the proper plugging and abandonment of wells  
and well site restoration, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

IN TESTIMONY WHEREOF, said Principal has hereunto subscribed its name and has caused this instrument to be signed by its duly authorized  
officers and its corporate or notary seal to be affixed this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(Corporate or Notary Seal here)

Attestee: \_\_\_\_\_ Date: \_\_\_\_\_

Marion Energy Inc.

Principal (company name)

By

Name (print)

KER CLARKE

Title

VICE PRESIDENT (AND)

Signature

IN TESTIMONY WHEREOF, said Surety has caused this instrument to be signed by its duly authorized officers and its corporate or notary seal  
to be affixed this

12 day of April, 2006.

(Corporate or Notary Seal here)

Attestee: Ornela Reagan Date: 4/12/06

U.S. Specialty Insurance Company

Surety Company (Attach Power of Attorney)

By

Name (print)

W. Russell Brown, Jr.

Attorney-in-Fact

Title

Signature

13403 Northwest Freeway

Surety Mailing Address

Houston

Texas

77040

City

State

Zip

Exhibit "A"  
Bond Coverage (Surety Bond # B002775)  
MARion Energy Inc., Operator

API Well Number	Well Name	Well Status	Field Name	County	Section	Location	Qtr/Qtr	Last produced	Years Shut-in
43-007-16009-00-00	Utah Fuel #1	Shut-in	Clear Creek	Carbon	5	14S-7E	SESW	Dec-69	36 years
43-007-16010-00-00	Utah Fuel #2	Shut-in	Clear Creek	Carbon	32	13S-7E	SWSW	Nov-64	40 years
43-007-16011-00-00	Utah Fuel #3	Shut-in	Clear Creek	Carbon	32	13S-7E	NWSE	Dec-73	32 years
43-007-16012-00-00	Utah Fuel #4	Shut-in	Clear Creek	Carbon	30	13S-7E	SWSW	Dec-58	47 years
43-007-16016-00-00	Utah Fuel #10	Shut-in	Clear Creek	Carbon	5	14S-7E	NWNE	Jan-67	39 years
43-007-30102-00-00	Utah Mineral State	Shut-in	Clear Creek	Carbon	29	13S-7E	SWNW	Jul-72	33 years
43-007-30289-00-00	Oman #2-20	Shut-in	Clear Creek	Carbon	20	13S-7E	NWNE	Mar-96	10 years
43-007-16015-00-00	Utah Fuel #8	Producing	Clear Creek	Carbon	19	13S-7E	NENW	n/a	n/a
43-007-16013-00-00	Utah Fuel #5	PA	Clear Creek	Carbon	31	13S-7E	SWSW	n/a	n/a
43-015-16021-00-00	Utah Fuel #A-1	PA	Clear Creek	Emery	6	14S-7E	SWSW	n/a	n/a

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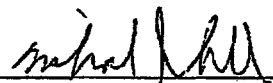
**U. S. SPECIALTY INSURANCE COMPANY**

By

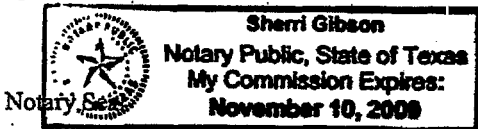
State of Texas

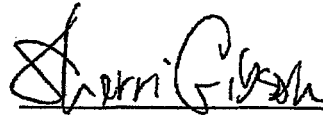
County of Harris

ss:

  
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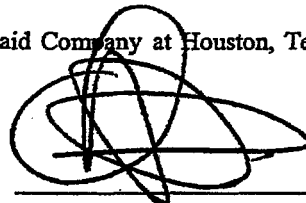


  
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 My commission expires 11-10-09

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Corporate Seal

  
 Christopher L. Martin, Secretary







SLOPE = 1 1/2 : 1  
(EXCEPT PIT)  
PIT SLOPE = 1 : 1

1"=10'  
X-Section  
Scale  
1"=20'

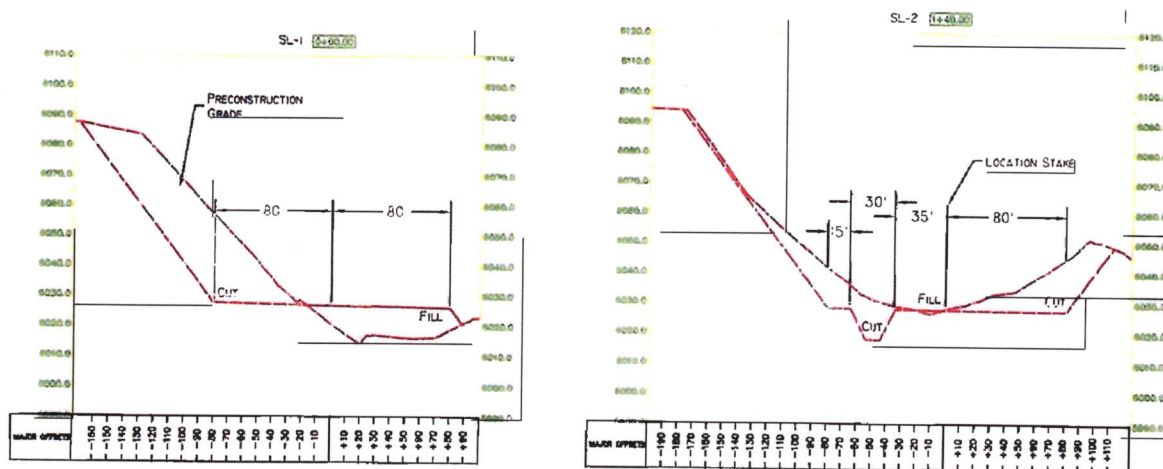
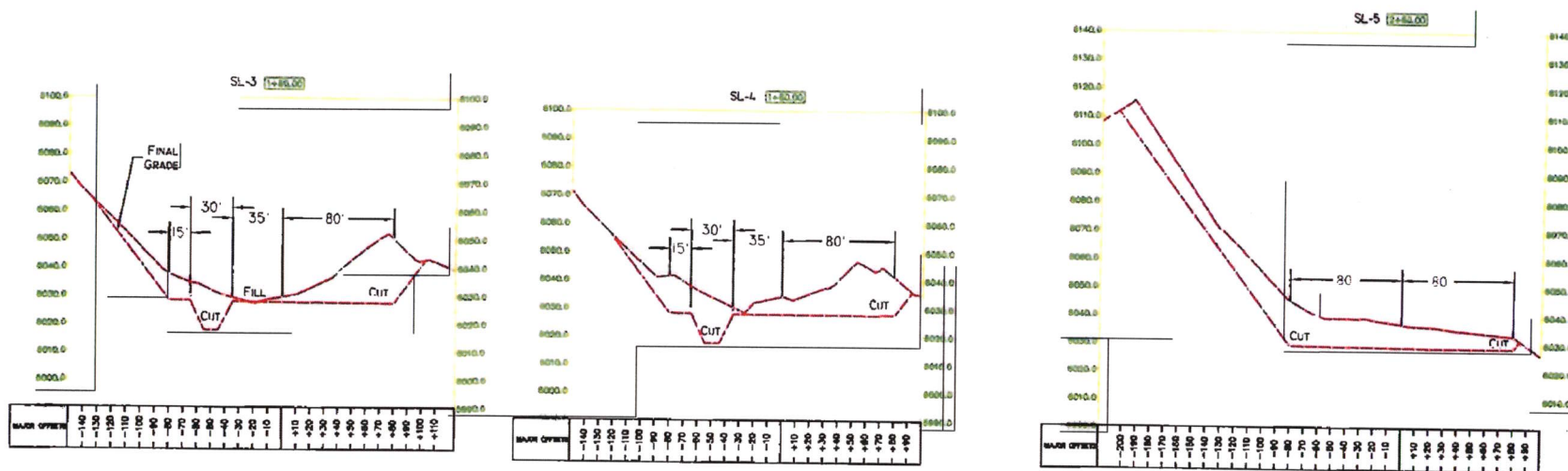
# APPROXIMATE YARDAGES

CUT

(6") TOPSOIL STRIPPING = 770 CU. YDS.

TOTAL CUT (INCLUDING PIT) = 26,045 CU. YDS.

TOTAL FILL = 1,910 CU. YDS.



**TALON RESOURCES, INC.**

195 North 100 West P.O. Box 1230  
Huntington, Utah 84528

Phone (435)687-5310 Fax (435)687-5311  
E-Mail talon@xerx.net

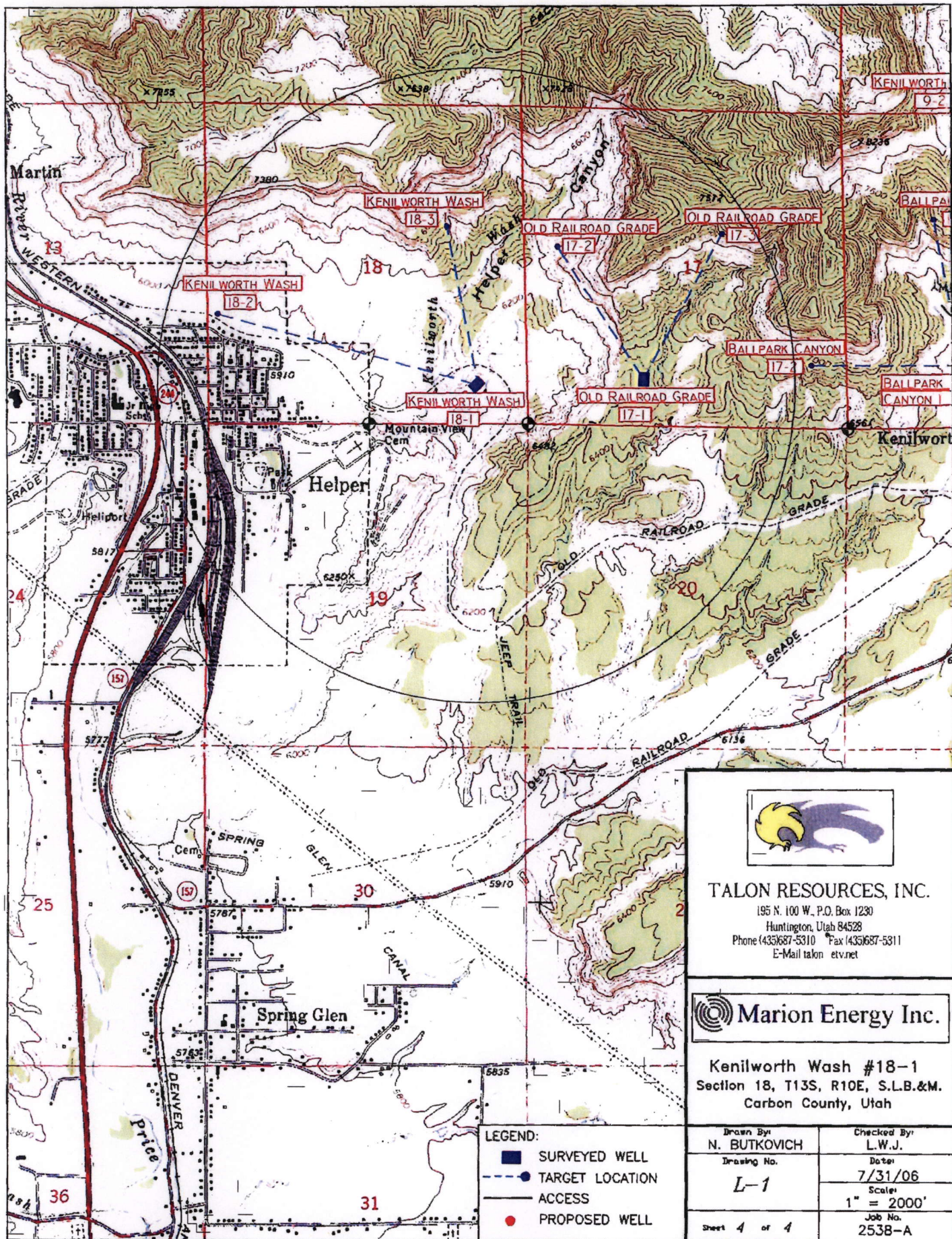


**TYPICAL CROSS SECTION**  
Section 18, T13S, R10E, S.L.B.&M.  
KENILWORTH WASH #18-1

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. C-1	Date: 7/27/06
	Scale: 1" = 120'
Sheet 3 of 4	Job No. 2538-A

REVISION: 9/1/06





# **TALON RESOURCES, INC.**

195 N. 100 W., P.O. Box 1230  
Huntington, Utah 84528  
Phone (435)687-5310 Fax (435)687-5311  
E-Mail: talon@etv.net



# **Marion Energy Inc.**

**Kenilworth Wash #18-1**  
Section 18, T13S, R10E, S.L.B.&M.  
Carbon County, Utah

Drawn By:  
**N. BUTKOVICH**

Drawing No.  
**L-1**

Sheet 4 of 4

Checked By:  
**L.W.J.**

Date:  
**7/31/06**

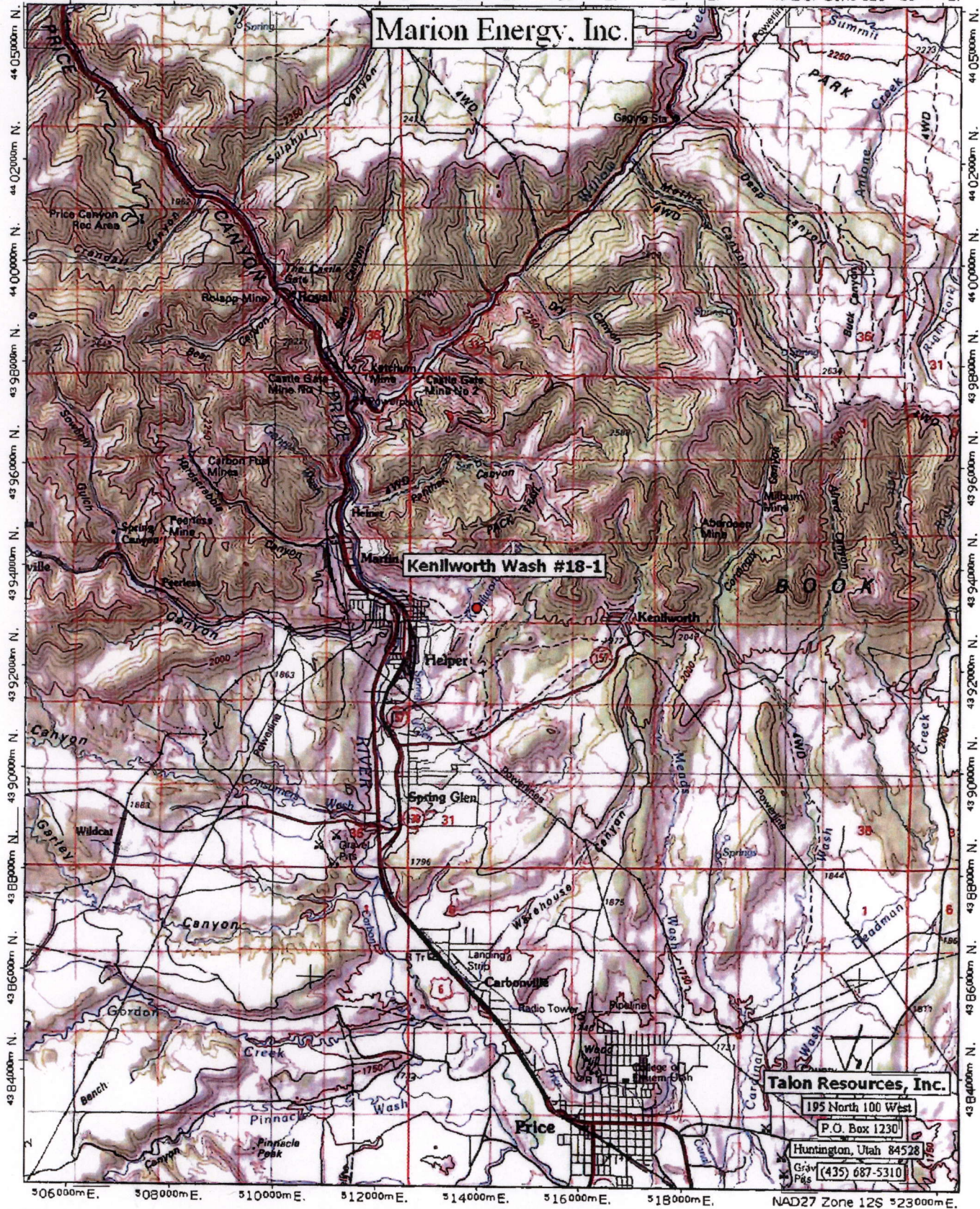
Scale:  
**1" = 2000'**

Job No.  
**2538-A**



TOPO! map printed on 07/31/06 from "Marion-KenilworthWash-18-1.tpo"

506000m E. 508000m E. 510000m E. 512000m E. 514000m E. 516000m E. 518000m E. NAD27 Zone 12S 523000m E.



TN+MN  
12M

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles  
0 1 2 3 4 5 km  
Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)



**WORKSHEET**  
**APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 01/25/2008

API NO. ASSIGNED: 43-007-31355

WELL NAME: KENILWORTH WASH 18-1

OPERATOR: MARION ENERGY, INC. ( N2740 )

PHONE NUMBER: 972-540-2967

CONTACT: SCOTT JACOBY

PROPOSED LOCATION:

SESE 18 130S 100E

SURFACE: 0651 FSL 0855 FEL

BOTTOM: 0651 FSL 0855 FEL

COUNTY: CARBON

LATITUDE: 39.69007 LONGITUDE: -110.8368

UTM SURF EASTINGS: 513990 NORTHINGS: 4393162

FIELD NAME: UNDESIGNATED ( 2 )

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering		
Geology		
Surface		

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-81161

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: FRSD

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat  
☒ Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. UTB000179 )  
☒ Potash (Y/N)  
☒ Oil Shale 190-5 (B) or 190-3 or 190-13  
☒ Water Permit  
(No. MUNICIPAL )  
☒ RDCC Review (Y/N)  
(Date: )  
☒ Fee Surf Agreement (Y/N)  
☒ Intent to Commingle (Y/N)

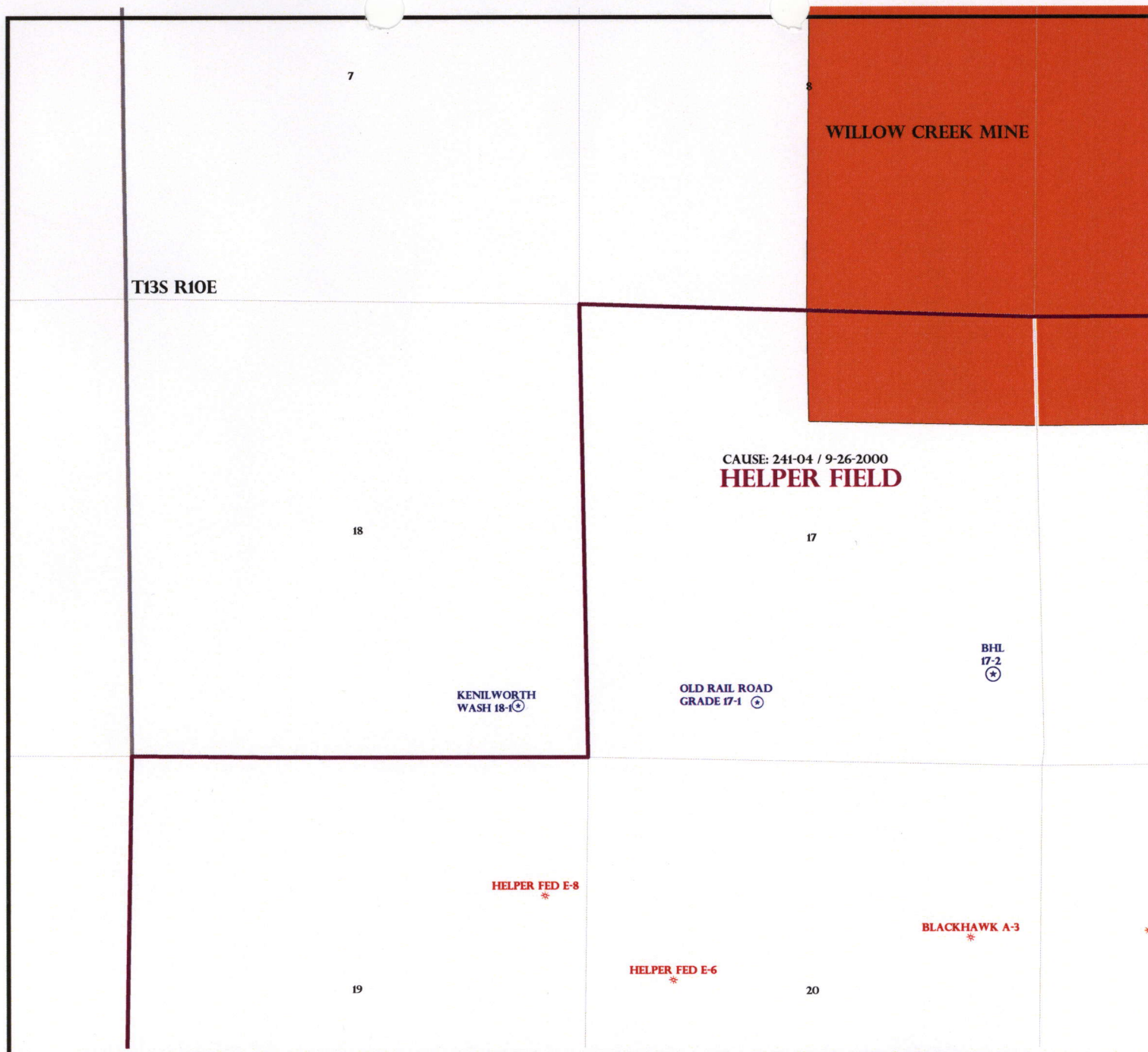
LOCATION AND SITING:

\_\_\_ R649-2-3.  
Unit: \_\_\_  
☒ R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells  
\_\_\_ R649-3-3. Exception  
\_\_\_ Drilling Unit  
Board Cause No: \_\_\_  
Eff Date: \_\_\_  
Siting: \_\_\_  
\_\_\_ R649-3-11. Directional Drill

COMMENTS: \_\_\_\_\_

STIPULATIONS: \_\_\_\_\_

1- Federal Approval  
2- Spacing Slip



OPERATOR: MARION ENERGY INC (N2740)

SEC: 18 T.13S R. 10E

FIELD: UNDESIGNATED (002)

COUNTY: CARBON

SPACING: R649-3-2 / GENERAL SITING

**Field Status**

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

**Unit Status**

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

**Wells Status**

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



PREPARED BY: DIANA MASON  
DATE: 07-FEBRUARY-2008



JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil Gas and Mining

JOHN R. BAZA  
Division Director

February 11, 2008

Marion Energy Inc.  
119 S Tennessee, #200  
McKinney, TX 75069

Re: Kenilworth Wash 18-1 Well, 651' FSL, 855' FEL, SE SE, Sec. 18, T. 13 South,  
R. 10 East, Carbon County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-007-31355.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Carbon County Assessor  
Bureau of Land Management, Moab Office



Operator: Marion Energy Inc.  
Well Name & Number Kenilworth Wash 18-1  
API Number: 43-007-31355  
Lease: UTU-81161

Location: SE SE                      Sec. 18                      T. 13 South                      R. 10 East

### Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dustin Doucet at (801) 538-5281 office      (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Price Field Office  
125 South 600 West  
Price, UT 84501  
(435) 636-3600 Fax: (435) 636-3657  
<http://www.blm.gov/utah/price/>



AUG 13 2008

IN REPLY REFER TO:

3160

UTU-81160

CERTIFIED MAIL NUMBER – 7007 0220 0000 6573 9550  
RETURN RECEIPT REQUESTED

Scott Jacoby  
Marion Energy Inc.  
119 S. Tennessee  
McKinney, Texas 75069

Re: Well No. Kenilworth Wash 18-1  
SESE-Sec.18-T13S-R10E  
Carbon County, Utah  
Lease No. UTU-81160

43-007-31355

Dear Mr. Jacoby:

The Application for Permit to Drill (APD) the above referenced well, submitted January 30, 2008, is being returned unapproved. In a letter dated June 27, 2008, BLM Price Field Office stated:

*"Any retained APD which is deficient must be brought to an acceptable level of completion within 45 days of the date of this notice or the APD will be returned unapproved."*

As of this date, BLM has not received any of the requested information from your company. If you intend to drill this location at a future date, a new APD must be submitted.

If you have any questions regarding this matter, please contact Katie Nash at (435) 636-3614.

Sincerely,

/s/ Michael Stiewig

Michael Stiewig  
Acting Field Manager

Enclosures  
cc: UDOGM

RECEIVED

AUG 25 2008

DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas and Mining

JOHN R. BAZA  
*Division Director*

April 28, 2009

Marion Energy Inc.  
119 S. Tennessee, #200  
McKinney, TX 75069

Re: APD Rescinded – Kenilworth Wash 18-1, Sec. 18, T. 13S,  
R. 10E, Carbon County, Utah, API No. 43-007-31355


Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on February 11, 2008. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective April 28, 2009.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

  
Diana Mason  
Environmental Scientist

cc: Well File  
Bureau of Land Management, Price

